

## **Audit and Risk Management Committee Terms of Reference**

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### **1. Objectives**

The Committee supports the Board as follows:

- 1.1 reviewing and monitoring the Group's financial reporting;
- 1.2 assessing and making recommendations on the risk appetite, profile and tolerance of the Group; and
- 1.3 overseeing and reviewing matters concerning the effectiveness and adequacy of the Group's risk management and internal control and compliance framework, policies and systems and the external and internal audits, bringing any issues to the attention of the Board.

### **2. Membership**

- 2.1 Members of the Committee shall be appointed by the Board, where appropriate, in consultation with the Committee Chairman. The Committee shall be made up of at least three members.
- 2.2 Majority of members of the Committee shall be independent non-executive directors, at least one of whom shall have relevant financial experience. The Chairman of the Board (unless he is an independent non-executive Chairman) shall not be a member of the Committee.
- 2.3 Only members of the Committee have the right to attend Committee meetings. Other individuals such as the Chairman of the Board, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, other directors and representatives from the finance or business function, may be invited to attend all or part of any meeting as and when appropriate.
- 2.4 The external auditors and internal auditor will be invited to attend meetings of the Committee on a regular basis.
- 2.5 The Committee shall meet separately with the external auditor and internal auditor at least twice each year without management presence.

- 2.6 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of the members to chair the meeting.

### **3. Secretary**

The Committee Chairman shall nominate a secretary to the Committee.

### **4. Quorum**

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### **5. Frequency of Meetings**

- 5.1 The Committee shall meet at least three times a year or such other times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 5.2 In-camera meeting, wherein the secretary is not present, may be called as either a stand-alone meeting or as a separate private meeting at the end of a regularly scheduled Committee meeting. Management may or may not be invited, at the discretion of the Committee Chairman. A resolution shall convene and terminate the in-camera meeting when called at the end of a regularly scheduled meeting. Any such resolutions shall be recorded in the minutes of the meeting. Matters discussed “in-camera” are not to be discussed outside the meeting by those in attendance.

### **6. Notice of Meetings**

- 6.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of external auditors if they consider it necessary.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend at least 14 days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at least five clear days in advance of the meeting.

## **7. Minutes of Meetings**

- 7.1 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 7.3 The secretary shall circulate the minutes of Committee meetings to all members of the Committee within a reasonable time (generally within 14 days) after each meeting and, once agreed, to all members of the Board.

## **8. Annual General Meeting**

The Committee Chairman should, as far as practicable, attend the Annual General Meeting and make himself available to respond to any shareholder questions on the Committee's activities.

## **9. Duties**

The Committee shall carry out the duties below for the Company, major subsidiaries and the Group as a whole, as appropriate.

### **9.1 Financial Reporting**

- 9.1.1 The Committee shall review the Group's financial and accounting policies and practices; monitor integrity of the financial statements of the Company, including its annual report and accounts, interim and other periodic reports, preliminary results announcements and review significant financial reporting judgments contained in them.
- 9.1.2 The Committee shall review and focus on areas including:
  - 9.1.2.1 the consistency of, and any changes to, accounting policies and practices on a year on year basis and across the Group;
  - 9.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

- 9.1.2.3 whether the Group has followed appropriate accounting and auditing standards and made appropriate estimates and judgments, taking into account the views of the external auditors;
  - 9.1.2.4 the valuations prepared by the Company's valuers;
  - 9.1.2.5 the clarity and adequacy of disclosure in the Company's financial reports and the context in which statements are made;
  - 9.1.2.6 any significant financial reporting issues and judgmental areas;
  - 9.1.2.7 significant adjustments resulting from audit;
  - 9.1.2.8 the going concern assumptions and any qualifications;
  - 9.1.2.9 compliance with accounting standards; and
  - 9.1.2.10 compliance with the Stock Exchange Listing Rules and other legal requirements in relation to financial reporting.
- 9.1.3 In regard to 9.1.1 and 9.1.2 above:-
- 9.1.3.1 members of the Committee must liaise with the Board and senior management and the Committee must meet, at least twice a year, with the internal and external auditors; and
  - 9.1.3.2 the Committee should consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting and compliance functions respectively or auditor (internal or external).
- 9.1.4 The Committee shall review the Group's financial and accounting policies and practices.

## **9.2 Internal Controls and Risk Management Systems**

The Committee shall:

- 9.2.1 keep under review the effectiveness of the Group's internal controls (including financial control) and risk management systems;
- 9.2.2 discuss with management the internal controls and risk management systems and ensure management has discharged its duty to have effective systems (including the adequacy of resources, qualifications and experience of staff of the Group's internal audit, accounting and financial reporting functions, and their training programmes and budget);
- 9.2.3 consider any findings of major investigations of internal controls and risk management matters as delegated by the Board or on its own initiative and management's response to these findings;
- 9.2.4 ensure co-ordination between the internal and external auditors; the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function; and
- 9.2.5 review and approve the statements to be included in the annual report concerning internal controls and risk management.

## **9.3 Risk Assessment**

The Committee shall:

- 9.3.1 advise the Board on the Group's risk profile and tolerance, and satisfy itself that the Company's strategy reflecting an appropriate consideration of risk appetite;
- 9.3.2 consider and advise the Board on the current and emerging risk exposures relating to the Group's business and strategies, and review the Group's capability to identify, measure and manage the emerging risks effectively; and
- 9.3.3 ensure that a proper monitoring process is in place for risk policy and risk appetite compliance, and review the steps taken or proposed by management to address the risks.

#### **9.4 Employees' Concerns**

The Committee shall:

- 9.4.1 consider the Company's policies and procedures in relation to preventing or detecting fraud and bribery, including the code of ethics and anti-fraud policy;
- 9.4.2 review the Company's arrangements for its employees and related third parties who deal with the Group to raise concerns, in confidence and/or anonymous, about possible improprieties in financial reporting, internal controls or other matters;
- 9.4.3 ensure that proper arrangements are in place for fair and independent investigation of such matters and for appropriate follow up action; and
- 9.4.4 consider the findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management's response (in the absence of management where necessary).

#### **9.5 External Audit**

The Committee shall:

- 9.5.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditors. The Committee shall oversee the selection process for new auditors and if auditors resign or are dismissed, the Committee shall investigate the issues leading to this and decide whether any action is required;
- 9.5.2 oversee the relationship with the external auditors including (but not limited to):
  - 9.5.2.1 approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - 9.5.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

- 9.5.2.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services;
  - 9.5.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditors and the Company (other than in the ordinary course of business);
  - 9.5.2.5 agreeing with the Board a policy on prohibition of the employment of former partner of the Company's auditors acting as a member of the Committee for a period of two years commencing on the date of the person ceasing (a) to be a partner of the firm or (b) to have any financial interest in the firm, whichever is the later, then monitoring the implementation of this policy; and
  - 9.5.2.6 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process.
- 9.5.3 meet regularly with the external auditors to discuss the nature and scope of the audit and reporting obligations before audit commences and once after the audit at the reporting stage. The Committee shall meet the external auditors, where appropriate, without management being present, to discuss their remit and any issues arising from the audit;
- 9.5.4 review the findings of the audit with the external auditors. This shall include but not be limited to, the following:
- 9.5.4.1 a discussion of any major issues and recommendations which arose during the audit;
  - 9.5.4.2 any accounting and audit judgments;
  - 9.5.4.3 levels of errors identified during the audit; and
  - 9.5.4.4 key audit matters identified by the external auditor and whether any matters arise from these that require further attention by the Committee.

- 9.5.5 review the management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or system of control and management's response to the auditors' findings and recommendations;
- 9.5.6 ensure the Board will provide a timely response to the issues raised in the external auditor's management letter;
- 9.5.7 review the effectiveness of the audit; and
- 9.5.8 approve and implement a policy on the supply of non-audit services by the external auditors, taking into account any relevant ethical guidance on the matter. The current policy is set out in Appendix 1.

## **9.6 Other Matters**

The Committee shall:

- 9.6.1 consider other topics as defined by the Board;
- 9.6.2 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 9.6.3 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 9.6.4 give due consideration to applicable laws and regulations, including relevant corporate governance codes, and the Stock Exchange Listing Rules as appropriate;
- 9.6.5 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- 9.6.6 make available the Committee's terms of reference.

## **10. Reporting Responsibilities**

- 10.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.



10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## **11. Authority**

The Committee is authorized:

- 11.1 to seek any information it requires from any employee of the Group in order to perform its duties;
- 11.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 11.3 to call any employee to be questioned at a meeting of the Committee as and when required.

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## **Definitions :**

**"Board"** shall mean the board of directors of the Company.

**"Committee"** shall mean the Audit and Risk Management Committee of the Company.

**"Company"** or **"Hysan"** shall mean Hysan Development Company Limited.

**"Group"** shall mean the Company and its subsidiaries.

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## **Auditor Services Policy - Engaging Professional Services from Auditors**

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### **1. OBJECTIVE**

The purpose of this policy is to set parameters for the engagement of the Auditors by Hysan consistent with applicable law and Hysan's corporate governance principles.

### **2. SCOPE & DEFINITION OF AUDITORS**

2.1 This policy covers all work that may be performed by the Auditors through engagements with Hysan or its subsidiaries.

2.2 The term "Auditors" refers to the firm of accountants and its affiliates that is appointed to perform the audit of the consolidated financial statements of Hysan and its subsidiaries. The current Auditors are Deloitte Touche Tohmatsu in Hong Kong.

### **3. POLICY**

3.1 Scope of work and authorization standards:

3.1.1 The authority of the Audit and Risk Management Committee, including as regards to engagement of the Auditors, are set out in the Committee's terms of reference.

3.1.2 The Auditors will only perform audit services, non-audit services and defined tax work. Definitions of "audit services", "non-audit services" and "tax work", along with examples, are included in Schedule 1.

3.1.3 The Audit and Risk Management Committee may approve exceptions to 3.1.2 above when it determines that such an exception is in the overriding best interests of Hysan and it is determined that such an exception does not impair the independence of the Auditors. However, certain non-audit activities are generally prohibited and generally will not be considered for exception from this policy. These prohibited non-audit activities are listed in Schedule 1.

3.2 On-going relationship standards:

3.2.1 Hysan supports the principle of partner rotation for its Auditors. The current Auditors have such a system in place.

3.2.2 Hysan will not employ, in a financial reporting oversight role, a member of the Auditors engagement team within 24 months of the final closure of the audit in which that individual last participated.

3.3 Measurement and Reporting Processes

3.3.1 On an annual basis, the Chief Financial Officer will prepare and present to the Audit and Risk Management Committee a summary report of all engagements of the Auditors that are currently underway or have been completed since the prior report. The summary report will describe the nature of each engagement, confirm that each engagement is in compliance with this policy and state the fees received by the Auditors for each engagement.

3.3.2 In addition to complying with Company's level of authority, Chief Financial Officer will be responsible for reviewing all contracts of engagement with the Auditors, except for contracts directly engaged by the Audit and Risk Management Committee or Internal Audit.

#### **4. POLICY OWNER AND RESPONSIBILITY**

The Audit and Risk Management Committee is the owner of this policy and will review and update this policy and providing interpretations on its application.

## Schedule 1

Categories of Work	Examples of Services
<b>Audit Services</b>	Statutory audits or financial audits for Hysan and its subsidiaries or affiliates.
	Services associated with Stock Exchange and SFC statements, periodic reports and other documents filed with the regulators or other documents issued in connection with securities offerings (e.g., comfort letters, consents), and assistance in responding to comment letters.
<b>Non-Audit Services</b>	Employee benefit plan audits and other employee investment equity audits.
	Agreed-upon-procedures reports or statutory compliance, regulatory or government procedures required to comply with financial, accounting or regulatory reporting matters.
	Due diligence services with respect to acquisitions or mergers of Hysan. These include the review of financial and tax information of the target and providing advice with respect to the likely impact on the reported financial statements and disclosures of Hysan.
	Closing balance sheet audits pertaining to dispositions.
	General assistance with implementation of the requirements of Stock Exchange or SFC rules or other applicable listing standards.
<b>Tax Work</b>	Review of the financial statement implications of Hong Kong and local tax consequences of business transactions.
	Hong Kong and local tax compliance – Hysan consolidated and subsidiaries including the preparation of tax returns.
	Assistance with tax audits and appeals before the IRD and other competent tax authorities.
	Tax assistance regarding statutory, regulatory or administrative developments.
<b>Prohibited Non-Audit Activities</b>	The Auditors is prohibited from providing any of the following services: <ul style="list-style-type: none"> <li>(a) Bookkeeping or other services related to the accounting records or financial statements of Hysan,</li> <li>(b) Financial information systems design and implementation,</li> <li>(c) Appraisal or valuation services,</li> <li>(d) Internal audit outsourcing services,</li> <li>(e) Management functions or human resources, and</li> <li>(f) Any other services that the Stock Exchange, SFC or applicable regulator determines impermissible.</li> </ul>